

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST C W TRAINER 1) FINDING THAT
OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC
AS TO FOUR WELLS AND ASSESSING PENALTIES FOR THOSE
VIOLATIONS; 2) REQUIRING OPERATOR TO RETURN SAID WELLS TO
COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN; AND 3)
AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE
APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-
COMPLIANCE, LEA COUNTY, NEW MEXICO.**

CASE NO. 13846

Affidavit of Dorothy Phillips

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

Dorothy Phillips, being first duly sworn on oath, states as follows:

1. I have been employed at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD") since 1981.

2. My current duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.

3. I have reviewed OCD's financial assurance records to determine if the following wells are covered by a financial assurance:

• Gulf State Com #001	1-4-15S-35E	30-025-23525	Lea Co.
• Harris Federal #001	O-5-22S-34E	30-025-28551	Lea Co.
• Morse #001	E-27-10S-37E	30-025-04991	Lea Co.
• State GB #001	C-16-15S-36E	30-025-03689	Lea Co.

4. C.W. Trainer is the operator of record for the four wells identified in paragraph 3, above. C.W. Trainer has posted a \$50,000 blanket plugging bond with the

OCD. The bond, number B001539, was issued by U.S. Specialty Insurance Company, 13403 Northwest Freeway, Houston, Texas 77040.

5. OCD records show no amendments or riders to bond number B001539. According to our records that bond remains in effect.

6. A copy of bond number B001539 is attached as Exhibit A to this affidavit.

7. As of the date of this affidavit, C.W. Trainer has not posted single well financial assurances for any of the wells identified in paragraph 3 of this affidavit.

THIS CONCLUDES MY AFFIDAVIT.


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 19th day of December, 2006.


Notary Public

My Commission Expires:

March 24, 2010

STATE OF NEW MEXICO

\$50,000 BLANKET PLUGGING BOND

BOND NO. B001539

File with the OIL CONSERVATION DIVISION, 1220 South St. Francis, Santa Fe, New Mexico 87505

KNOW ALL MEN BY THESE PRESENTS:

That C. W. Trainer, (an individual) (a general partnership) (a corporation, limited liability company or limited partnership organized in the State of Texas, and authorized to do business in the State of New Mexico), as PRINCIPAL, and U.S. Specialty Insurance Company, a corporation organized and existing under the laws of the State of Texas and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the State of New Mexico for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) (the DIVISION) pursuant to NMSA 1978, Section 70-2-14, as amended, in the sum of **Fifty Thousand Dollars (\$50,000)** for the payment of which the PRINCIPAL and SURETY hereby bind themselves and their successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of a well or wells to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals on privately owned or state owned lands within the State of New Mexico, or does own or operate, or may acquire, own or operate such a well or such wells, the identification and location of said wells being expressly waived by both PRINCIPAL and SURETY.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them or their successors or assigns, or any of them, shall cause all of said wells to be properly plugged and abandoned when dry or when no longer productive or useful for other beneficial purpose, in accordance with the rules and orders of the of DIVISION, including but not limited to Rules 101 [19.15.3.101 NMAC] and 202 [19.15.4.202 NMAC], as such rules now exist or may hereafter be amended;

THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise, and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED HOWEVER, that 30 days after receipt by the DIVISION of written notice of cancellation from the SURETY, the obligation of the SURETY shall terminate as to wells acquired, drilled or started, or of which PRINCIPAL assumes operation, after said 30-day period, but shall continue in effect, notwithstanding said notice, as to wells theretofore acquired, drilled, started or operated.

C. W. Trainer

PRINCIPAL

PO Box 754, Midland, TX 79702-0754

Address

By 

Signature

Owner

Title

If PRINCIPAL is a corporation, affix
corporate seal here.

U.S. Specialty Insurance Company

SURETY

13403 Northwest Freeway,
Houston, Texas 77040

Address

By 

Attorney - In-Fact W. Russell Brown, Jr.

Corporate surety affix
corporate seal here.

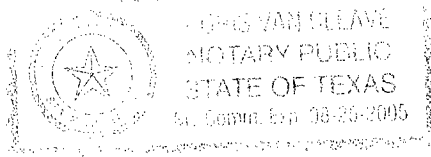
ACKNOWLEDGMENT FORM FOR INDIVIDUAL

STATE OF Texas)
) ss.
 COUNTY OF Midland)

This instrument was acknowledged before me on 9/18, 2005 by CW Trainer
 (Name of Individual)

SEAL

8/25/2005
 My Commission Expires



Donna Van Dine
 Notary Public

ACKNOWLEDGMENT FORM FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY

STATE OF _____)
) ss.
 COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
 (Name of Person Signing Instrument)

as _____ of _____
 (Capacity, e.g., partner, president, manager, member) (Name of partnership, corporation or limited liability company)

 Notary Public

SEAL

 My Commission Expires

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF Texas)
) ss.
 COUNTY OF Harris)

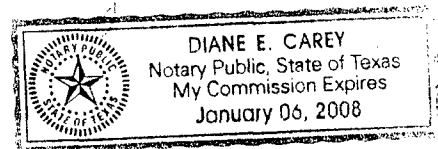
This instrument was acknowledged before me on April 8th, 2005 by W. Russell Brown, Jr.
 (Name of Attorney in fact)

as Attorney-in-Fact for U.S. Specialty Insurance Company
 (Name of corporate surety)

[Signature]
 Notary Public

SEAL

January 6, 2008
 My Commission Expires



Corporate surety attach power of attorney

APPROVED BY:**OIL CONSERVATION DIVISION OF NEW MEXICO**

By [Signature]

Date [Signature]

POWER OF ATTORNEY

PA001539

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million Dollars (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the Executive Vice President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

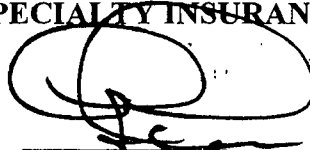
Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its Executive Vice President, and its corporate seal to be hereto affixed this 13th of December, 2004.

Corporate Seal

U. S. SPECIALTY INSURANCE COMPANY

By



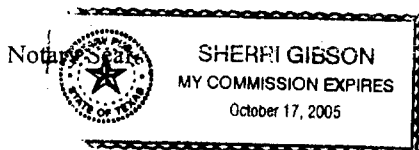
Edward H. Ellis, Jr., Executive Vice President

State of Texas

County of Harris

ss:

On this 13th of December, 2004 before me personally came Edward H. Ellis, Jr., to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is Executive Vice President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



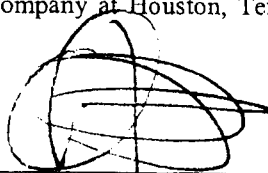
Notary Public

My commission expires 10-17-15

I, Christopher L. Martin, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 8th day of April, 2005.

Corporate Seal



Christopher L. Martin, Secretary

**Important Notice Regarding
Terrorism Risk Insurance Act of 2002**

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), this disclosure notice is provided for surety bonds on which U.S. Specialty Insurance Company is the issuing surety.

The premium attributable to any bond coverage for "acts of terrorism" as defined in Section 102(1) of the Act is Zero Dollars (\$0.00).

The United States will reimburse the Issuing Sureties for ninety percent (90%) of any covered losses from terrorist acts certified under the Act exceeding the applicable surety deductible.

The actual coverage provided by your bond for acts of terrorism, as is true for all coverages, is limited by the terms, conditions, exclusions, penalties, limits, other provisions of your bond and the underlying contract, any endorsements to the bond and generally applicable rules of law. This Important Notice Regarding Terrorism Insurance Risk Act of 2002 is for informational purposes only and does not create coverage nor become a part or condition of the attached document.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY, IF WRITTEN, FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM, WILL BE EXCLUDED IF THE U.S. GOVERNMENT FAILS TO ENACT AN EXTENSION TO TRIA OR ENACTS CHANGES TO TRIA THAT SUBSTANTIALLY CHANGE THE RISK OF LOSS THAT AN INSURER OR POLICYHOLDER HAS ASSUMED.

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